

ORDER NO. 6072

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Michael Kubayanda, Chairman;  
Ashley E. Poling, Vice Chairwoman;  
Mark Acton;  
Ann C. Fisher; and  
Robert G. Taub

Competitive Product Prices  
Inbound Parcel Post (at UPU Rates)

Docket No. CP2022-35

ORDER ACKNOWLEDGING CHANGES IN PRICES  
FOR INBOUND PARCEL POST (AT UPU RATES)

(Issued December 21, 2021)

I. INTRODUCTION

On December 10, 2021, the Postal Service filed notice announcing its intention to change prices not of general applicability for Inbound Parcel Post (at Universal Postal Union (UPU) Rates) effective January 1, 2022.<sup>1</sup> The Commission analyzes the proposed prices pursuant to 39 U.S.C. § 3633(a).

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<sup>1</sup> Notice of the United States Postal Service of Filing Changes in Rates Not of General Applicability for Inbound Parcel Post (at UPU Rates), and Application for Non-Public Treatment, December 10, 2021, at 1-2 (Notice).

## II. BACKGROUND

*Inbound Parcel Post (at UPU Rates)*. At the time it established separate product lists for market dominant and competitive products in 2007, the Commission assigned Inbound Air Parcel Post to the competitive product list.<sup>2</sup> In 2009, Inbound Air Parcel Post was bifurcated.<sup>3</sup> In Order No. 362, the existing product, Inbound Air Parcel Post, was renamed Inbound Air Parcel Post (at non-UPU Rates). Order No. 362 at 8-9. The Commission approved the addition of a new product, Inbound Air Parcel Post (at UPU Rates), to the competitive product list. *Id.* An initial review of the new product's prices indicated compliance with statutory requirements. *Id.* On June 26, 2014, the Commission accepted proposed price changes for Inbound Air Parcel Post (at UPU Rates).<sup>4</sup>

On August 19, 2014, the Commission approved the Postal Service's request to: (1) transfer Inbound Surface Parcel Post (at UPU Rates) from the market dominant product list to the competitive product list; (2) merge the transferred product with Inbound Air Parcel Post (at UPU Rates); and (3) identify the merged product as Inbound Parcel Post (at UPU Rates).<sup>5</sup> An initial rate review indicated compliance with statutory requirements. Order No. 2160 at 7. As part of Order No. 2160, Inbound Air Parcel Post (at UPU Rates) and Inbound Surface Parcel Post (at UPU Rates) were merged into a single product identified as Inbound Parcel Post (at UPU Rates). *Id.*

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<sup>2</sup> Docket No. RM2007-1, Order Establishing Ratemaking Regulations for Market Dominant and Competitive Products, October 29, 2007, at 100 (Order No. 43).

<sup>3</sup> See Docket Nos. MC2010-11 and CP2010-11, Order Adding Inbound Air Parcel Post at UPU Rates to Competitive Product List, December 15, 2009 (Order No. 362).

<sup>4</sup> Docket No. CP2014-52, Order Accepting Price Changes for Inbound Air Parcel Post (at UPU Rates), June 26, 2014, at 5 (Order No. 2102). In Order No. 2102, the Commission also directed the Postal Service to provide, in future filings, a citation to where the applicable inward land rates can be located in the relevant UPU International Bureau (IB) Circular and to provide a copy of that circular. *Id.* In addition, the Commission directed the Postal Service to provide an update, as part of each filing, of information and data that had been provided in the Management Analysis that had accompanied the prices proposed for Inbound Air Parcel Post (at UPU Rates). *Id.* at 5-6.

<sup>5</sup> Docket No. MC2014-28, Order Approving Product List Transfer, August 19, 2014, at 8 (Order No. 2160).

In Order No. 4933, the Commission directed the Postal Service to include a citation to the relevant UPU International Bureau (IB) Circular; a copy of the relevant IB Circular; and an update to the inflation-linked adjustment for inward land rates previously submitted, with each future filing regarding price changes for the Inbound Parcel Post (at UPU Rates) product.<sup>6</sup>

*Initial Commission action.* On December 10, 2021, the Postal Service filed notice announcing its intention to change prices not of general applicability for the Inbound Parcel Post (at UPU Rates) product, effective January 1, 2022. Notice at 1. On December 13, 2021, the Commission issued a notice establishing the instant docket, appointing a Public Representative, and providing interested persons with an opportunity to comment.<sup>7</sup>

### III. PROPOSED PRICE CHANGE

The Postal Service filed separately under seal with the Commission the prices and supporting documents that it represents show compliance with 39 U.S.C. § 3633(a)(2) and 39 C.F.R. § 3035.107. Notice at 2, 7. The Postal Service's Application for Non-Public Treatment of those materials is included in the Notice as Attachment 1. *Id.* at 2. A redacted version of UPU IB Circular No. 145, dated September 27, 2021, which provides provisional rates for the Inbound Parcel Post (at UPU Rates) product, is included as Attachment 2. *Id.* at 2-3. The certified statement required by 39 C.F.R. § 3035.105(c)(2) is included as Attachment 3. *Id.* at 3. Redacted excerpts of Postal Service data used by the UPU to justify bonus payments are included as Attachment 4. *Id.* A copy of the Postal Service's submission to the UPU in support of an inflation-linked adjustment is included as Attachment 5. *Id.* A redacted copy of Governors' Decision No. 19-1 is included as Attachment 6. *Id.* The Postal Service also

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<sup>6</sup> Docket No. CP2019-43, Order Acknowledging Changes in Prices for Inbound Parcel Post (at UPU Rates), December 19, 2018, at 5 (Order No. 4933).

<sup>7</sup> Notice and Order Concerning Changes in Rates for Inbound Parcel Post (at UPU Rates), December 13, 2021 (Order No. 6061).

included a redacted copy of UPU IB Circular No. 148, dated October 12, 2020, as Attachment 7. *Id.* In addition, the Postal Service filed redacted Excel versions of the supporting financial documentation. *Id.* The Postal Service states that it has provided supporting documentation as required by Order No. 2102 and Order No. 2310. *Id.* at 5-6. It also asserts that it provided citations and copies of relevant UPU IB Circulars and updates to inflation-linked adjustments. *Id.* at 7.

In its Notice, the Postal Service stated that the UPU issued provisional rates for the Inbound Parcel Postal (at UPU Rates) product to take effect on January 1, 2022 in September 2021. *Id.* at 3. It explained that these rates were provisional because, during a November 2021 meeting, the UPU's Postal Operations Council decided that the rates should be revised and re-issued in a new IB Circular in December. *Id.* at 3-4. The revised rates would be based on service performance during the pre-pandemic period (from August 2019 through January 2020), rather than the most recent 6-month period of February 2021 through July 2021. *Id.* at 4.

At the time of the Postal Service's filing, the revised rates had not yet been issued. *Id.* Given the need for Commission review of the January 2022 rates prior to the end of December, the Postal Service provided the provisional rates from the September 2021 Circular, together with supporting financial workpapers, to show sufficiency of cost coverages based on those provisional rates. *Id.* The Postal Service also provided a copy of UPU IB Circular No. 148, which contained comparative information with respect to the bonuses associated with the provision of parcel service features for the pre-pandemic period of August 2019 through January 2020, to support the Postal Service's contentions about the forthcoming (at the time) revised rates resulting in increased cost coverage. *Id.* The Postal Service asserted that the UPU's revised rates should be higher than the provisional rates appearing in the September Circular because the Postal Service was eligible for increased performance bonuses in the calculation of the revised rates. *Id.* at 4-5.

On December 20, 2021, the Postal Service filed a supplemental notice of the revised rates, with the unredacted revised rates and supporting financial model

documents filed under seal.<sup>8</sup> The Postal Service states that it incorporates by reference its Application for Non-Public Treatment that it filed as Attachment 1 to the initial Notice. Supplemental Notice at 1-2. A redacted version of UPU IB Circular No. 210, dated December 20, 2021, which provides the revised rates for the Inbound Parcel Post (at UPU Rates) product, is included as Attachment 1 to the Supplemental Notice. *Id.* at 2. The certified statement required by 39 C.F.R. § 3035.105(c)(2) is included as Attachment 2. *Id.* In addition, a redacted Excel version of the revised supporting financial documentation also accompanies the Postal Service's Supplemental Notice. *Id.*

The Postal Service asserts that, for the reasons discussed in its initial Notice, it has established that the new rates for Inbound Parcel Post (at UPU Rates) will be in compliance with the requirements of 39 U.S.C. § 3633(a)(2) and 39 C.F.R. § 3035.107. *Id.* It also states that it has met its burden of providing notice to the Commission of the changes in rates for the Inbound Parcel Post (at UPU Rates) product, and thus, it requests favorable review of the revised UPU rates that will take effect on January 1, 2022. *Id.*

#### IV. COMMENTS

The Commission received comments from the Public Representative on December 20, 2021.<sup>9</sup> No other interested party filed comments. Based on her review of the financial data, the Public Representative states that “prices for the Inbound Parcel Post (at UPU Rates) product should generate sufficient revenues to cover costs and therefore meet the requirements of 39 U.S.C. § 3633(a).” PR Comments at 2. She “recommends that the Commission approve the proposed rates for Inbound Parcel Post (at UPU Rates).” *Id.*

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<sup>8</sup> Supplemental Notice of the United States Postal Service of Filing Changes in Rates for Inbound Parcel Post (at UPU Rates), December 20, 2021, at 1 (Supplemental Notice).

<sup>9</sup> Public Representative Comments on Changes in Prices for Inbound Parcel Post (at UPU Rates), December 20, 2021 (PR Comments).

## V. COMMISSION ANALYSIS

The Commission reviews price changes for competitive products in terms of the criteria in 39 U.S.C. § 3633(a). These criteria prohibit the subsidization of competitive products by market dominant products (§ 3633(a)(1)); require each competitive product to cover its attributable costs (§ 3633(a)(2)); and require competitive products as a whole to cover an appropriate share of institutional costs (§ 3633(a)(3)).

The Commission has reviewed the Notice, the Supplemental Notice, supporting documentation, and the Public Representative's comments. The Commission finds that the prices presented in the Supplemental Notice should not lead to the subsidization of competitive products by market dominant products; should cover attributable costs; and should have a positive effect on the contribution that competitive products make to institutional costs. Accordingly, the planned rates for the Inbound Parcel Post (at UPU Rates) product satisfy the relevant statutory criteria and regulatory requirements of 39 U.S.C. § 3633(a) and 39 C.F.R. § 3035.107.

## IV. ORDERING PARAGRAPH

*It is ordered:*

The Commission acknowledges the planned price changes for Inbound Air and Surface Parcel Post mailpieces within the Inbound Parcel Post (at UPU Rates) product.

By the Commission.

Erica A. Barker  
Secretary